

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7514

BILL NUMBER: HB 1589

DATE PREPARED: Feb 27, 2001

BILL AMENDED: Feb 26, 2001

SUBJECT: Grants to Upgrade Voting Systems.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill provides that punch card voting systems may not be used in an Indiana election after December 31, 2003. It establishes the Voting System Improvement Fund to reimburse counties for the purchase of new or upgraded voting systems. The bill also provides that a county's purchase or award of a contract for a new voting system or an upgrade to an existing voting system is eligible for reimbursement regardless of whether the purchase or the award of the contract occurred before July 1, 2001. The bill provides that the fund consists of appropriations made by the General Assembly, all federal money received by the state for voting systems improvement, and the proceeds of bonds issued by the Indiana Bond Bank for improvement of voting systems as authorized by law. This bill also requires counties to apply to the Budget Agency for reimbursement from the fund not later than June 1, 2003. It also provides that a county may be reimbursed up to 50% of the amount of expenditures made for a new or an upgraded voting system. The bill provides that the state reimbursement expires on January 1, 2005.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) The Election Division would be required to administer the Voting System Improvement Fund. The fund may receive appropriations from the General Assembly (including money appropriated from the Build Indiana Fund), proceeds from bonds issued by the Indiana Bond Bank, and Federal Funds. Money remaining in the Fund at the end of a State fiscal year would not revert back to the General Fund. All expenses to administrate the Fund must be paid out of the Fund. As amended, the Election Division would reimburse the county burden directly with Federal funds, if any are received, from the Federal government, in addition to State reimbursement from State funds. If any money from Federal funds was still in the Voting System Improvement Fund after all county expenses for updated voting technology has been completed, the remaining Federal money reverts to the fund from which State money was appropriated, to the extent permitted by Federal law. No Federal money is believed to be currently available for upgrades of voting technology in an Indiana county.

The Election Division has indicated that no additional staff would be required to administer the Voting System Improvement Fund. As of August 2000, the Election Division had nine authorized full-time staff members. Of these positions the Division has two co-directors that would be able to oversee the Fund, and an additional staff member that could handle the expense administration of the Fund. The Division already oversees the Campaign Finance Enforcement Fund, similar in structure to the proposed fund, which is a non-reverting dedicated fund.

The Auditor of State would be required to create two accounts, within the Fund, to separate money appropriated by the General Assembly and any money received by the State from the Federal Government. The Auditor of State should be able to carry out this provision, given existing resources.

This bill allows the Fund to provide up to 50% reimbursements to counties upgrading their voting system. For the 35 punch card counties to update, the estimated range of reimbursement to the State is \$4.0 M to \$9.6 M.

The inclusion of the 9 lever counties could increase the State reimbursements to an estimated range of \$6.4 M to \$16.3 M for replacement or update of current voting systems to incorporate more recent voting technology. As of the last general election, nine counties operated lever machine voting systems.

The amended bill requires that all applications requesting reimbursement from counties to update their voting systems, including the 35 punch card counties required and any additional counties that chose to replace/update, must be sent to the State Budget Agency by June 1, 2003. After review of the Budget Committee, the Budget Agency would approve a county's application for reimbursement. Reimbursements from State funds would be available, subject to Budget Agency approval of an application, beginning in FY2002, and would continue, given availability of funds, until January 1, 2005.

Counties that have already purchased or updated voting technology: As amended, the 48 counties that have already purchased or upgraded their voting technology before July 1, 2001, would be able to receive an estimated total of \$9.1 M from State matching grants. These counties would be reimbursed using the same formula as the counties that would be required to purchase or update their voting technology. There are 25 counties that have adopted direct recording electronic (DRE) technology, and 23 counties that have adopted optical scan, which would qualify for reimbursement. It is estimated that a 50% State match to these 48 counties that have already purchased or updated their voting technology could be at least \$9.1 M.

Background: Currently, there are four main types of voting systems that are certified for use in Indiana. They include punch card systems, lever machine voting systems, DRE systems, and optical scan systems. The following table illustrates the alternative voting systems that are currently approved by the Indiana Election Commission.

Manufacture/Model	Type	Cost per unit
ESS/OPTECH 3-P	Optical Scan	\$5,500
Microvote/MV464	Direct Recording Electronic	\$4,450
GBS/Accuvote ES-2000	Optical Scan	\$5,000
GBS/Accutouch TS	Direct Recording Electronic	\$3,500
Fidlar Doubleday/EV 2000	Direct Recording Electronic	N/A

Based on information provided by Government Business Systems (GBS), Election Systems and Software (ESS), Microvote, and the Indiana Election Division, some of these systems listed above are priced by precinct. There are currently 5,530 precincts in the state. Approximately one OPTECH 3-P would be required per precinct in a county adopting this voting system. As an alternative, approximately one MV464 machine would be required for every block of 300-400 registered voters in a county, or approximately 70% turnout. One Accuvote ES-2000 machine would be required per polling location. The GBS Accutouch would require three machines per precinct.

The approval by the Indiana Election Commission to market the GBS Accuvote ES-2000 expires in February 2002. Approval to market the ESS OPTECH 3-P expired October 18, 2000. Approval for the marketing of the Microvote MV464 expires in September of 2002. Approval for marketing the GBS Accutouch and the Fidler Doubleday EV2000 expires January 27, 2005. The timing of the expirations, assuming no renewal by the Commission, could contribute to the timing of action taken, if any, in respective counties that are not required to update by the bill.

In addition to the cost for the replacement/upgrade of voting machines, the estimate includes the cost for paper ballots. Optical scan systems require paper ballots. The average cost of an optical scan ballot was thirty cents in CY 2000.

This bill does not make an appropriation for the reimbursements to counties.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) If all punch card and lever machine counties upgrade their voting systems, those counties could realize expenditures of \$6.4 M to \$16.3 M combined. If only the punch card counties update, total expenditures at the county level could range from \$4 M to \$9.6 M. Total expenditures made would depend on the action of counties that may update under this bill, in addition to the 35 punch-card counties where update/replacement is required. Ultimately, the total county share depends on the amount of Federal funds obtained.

Explanation of Local Revenues: (Revised) As mentioned in *Explanation of State Revenues*, funding may be provided by the Federal government and reimbursed to the county through the Indiana Election Division. Federal funds would be reimbursed in order to pay for the county's share of the expenditures in addition to the State 50% reimbursement match. As mentioned above, no money is currently known to be available from the Federal government for the purpose of reimbursement for updating voting technology in Indiana counties.

Counties that have already purchased or updated voting technology: As amended, the 48 counties that have already purchased or upgraded their voting technology would be able to receive an estimated total of at least \$9.1 M from State matching grants. It is unknown whether Federal money which might become available would also be available to these counties who previously purchased and updated their technology.

State Agencies Affected: Indiana Election Division; Indiana Election Commission; Indiana Office of the Treasurer of State; Auditor of State; State Budget Agency.

Local Agencies Affected: Counties.

Information Sources: Indiana Election Division; Rob McGinnis, Election Systems and Software (317) 913-0230; Steve Corey, Government Business Systems, 1-800-659-1516; Steve Shamo, Micro Vote, (317) 257-

4900.